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1 Setting the Scene – Sources and Overview

1.1 What are the main corporate entities to be discussed?

The most comprehensive legal framework concerning corporate governance applies to companies ("**Issuers**") whose shares are listed and admitted to trading on a regulated market ("**Regulated Market**"), within the meaning of the law of 30 May 2018 on markets in financial instruments, as amended, such as the Official List of the Luxembourg Stock Exchange. In Luxembourg, Issuers are most commonly organised as a public limited liability company (*société anonyme* – "**SA**").

Less stringent corporate governance laws and practices apply to entities whose securities are listed and admitted to trading on the Euro MTF operated by the Luxembourg Stock Exchange, as well as investment fund structures. Such entities are not covered by this chapter, but this is increasingly becoming the focus of corporate governance related initiatives.

1.2 What are the main legislative, regulatory and other sources regulating corporate governance practices?

The Luxembourg law of 10 August 1915 on commercial companies, as amended (the "**Companies Law**"), is the main source of corporate governance-related legislation and is generally applicable to all commercial companies, including the SA. Disclosure obligations of commercial companies are further defined in the law of 19 December 2002 on the register of commerce and companies, and the accounting and annual accounts of undertakings (the "**2002 Law**").

Issuers are further subject to:

- the Luxembourg law of 24 May 2011 relating to the exercise of certain shareholder rights in general meetings of listed companies, as amended (the "**Shareholder Rights Law**");
- the Luxembourg law dated 11 January 2008, on transparency requirements for issuers, as amended (the "**Transparency Law**");
- the Prospectus Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and the Luxembourg law of 16 July 2019 on prospectuses for securities, as amended (the "**Prospectus Law**"); and
- the Market Abuse Regulation (EU) 596/2014 (the "**MAR**") and the Luxembourg law of 23 December 2016 on market abuse, as amended (the "**Market Abuse Law**").

The CSSF, the Luxembourg supervisory authority in the financial sector, regularly publishes circulars, annual reports and FAQs on various corporate governance-related topics.

In relation to Issuers listed and/or admitted to trading on the Official List of the Luxembourg Stock Exchange ("**Luxembourg Issuers**"), and companies listed on the Euro MTF, the Luxembourg Stock Exchange provides further guidelines in its X Principles of Corporate Governance (the "**X Principles**"), as well as its Rules and Regulations.

1.3 What are the current topical issues, developments, trends and challenges in corporate governance?

Sustainability disclosure requirements, notably under the Taxonomy Regulation (EU) 2020/852 ("**EU Taxonomy**"), the Sustainable Finance Disclosure Regulation (EU) 2019/2088 ("**SFDR**") and the Corporate Sustainability Reporting Directive (EU) 2022/2464 ("**CSRD**"), continue to be a major focus and challenge to market participants in Luxembourg. However, the adoption of Directive (EU) 2022/2381 on gender balance on boards in November 2022 is expected to shift some focus of listed entities back on their board composition, and gender equality matters within their corporate governance.

1.4 What are the current perspectives in this jurisdiction regarding the risks of short termism and the importance of promoting sustainable value creation over the long term?

Luxembourg has identified short-termism as an issue and promotes a sustainable value creation with a long-term perspective. The X Principles emphasise long-term value creation by requiring the board of directors, among others, to serve all shareholders by ensuring the long-term success of the company (*Principle 2*), to establish a remuneration policy which is compatible with the long-term interests of the company (*Principle 7*), to set up strict rules in relation to the company's risk management (*Principle 8*), and to define its corporate social responsibility (*Principle 9*).

In addition, the Shareholder Rights Law aims to reshape the corporate governance of Issuers toward sustainability to encourage long-term shareholder engagement and to improve Issuer-shareholder dialogue. Sustainable value creation continues to be a major focus of various legislative efforts in the European Union impacting Luxembourg legislation, such as the Taxonomy Regulation, CSRD as well as the Corporate Sustainability Due Diligence Directive.

2 Shareholders

2.1 What rights and powers do shareholders have in the strategic direction, operation or management of the corporate entity/entities in which they are invested?

In Luxembourg, the board of directors (one-tier structure) or management board (two-tier structure; please refer to question 3.1 below) is responsible for the operation and management of a company and usually defines the company's strategic direction. However, the articles of association of the company may limit the powers of the board of directors or supervisory board/management board, and reserve specific matters to the general meeting of shareholders. In addition, Luxembourg law grants the shareholders the following rights, which ensure that they have a certain level of control with respect to the company's management and operation:

- The general meeting of shareholders appoints the members of the board of directors (one-tier structure) or the members of the supervisory board (two-tier structure; please refer to question 3.1 below) and may remove them from office at any time (*articles 441-2 and 442-14 Companies Law*).
- The general meeting of shareholders appoints the auditor(s) of the company (*article 69 2002 Law*).
- The general meeting of shareholders resolves annually on the granting of discharge to the board of directors (one-tier structure) or the supervisory board and management board (two-tier structure) on the basis of the company's annual accounts (*article 461-7 Companies Law*).
- Shareholders holding at least 10% of the votes at the general meeting having resolved on a discharge may bring a liability action against the directors or the members of the management board and the supervisory board on behalf of the company (*article 444-2 Companies Law*).
- The general meeting of shareholders decides on any changes to the corporate object, the articles of association (*article 450-3 Companies Law*), capital increases and reductions (*articles 420-22 and 450-5 Companies Law*), the redemption of shares (*article 430-15 Companies Law*), the exclusion of shareholders' preferential subscription rights and the creation of authorised share capital (*articles 420-26 (5) and 420-22 Companies Law*) and resolve on any mergers (*articles 1021-3 and 1022-1 Companies Law*), divisions (*article 1031-3 Companies Law*) as well as the liquidation of the company (*article 1100-2 Companies Law*).

Luxembourg law also grants some rights to minority shareholders (please refer to question 2.8 below).

2.2 What responsibilities, if any, do shareholders have with regard to the corporate governance of the corporate entity/entities in which they are invested?

In Luxembourg, the board of directors or supervisory board/management board is mainly responsible for the corporate governance of the company. Shareholders are not required to take any actions with respect to the corporate governance of the company. However, Luxembourg laws and practice encourages shareholders to exercise their shareholder rights in order to influence and improve the company's corporate governance and ensure the sustainability of the company.

2.3 What kinds of shareholder meetings are commonly held and what rights do shareholders have with regard to such meetings?

From a legal perspective, there are two different kinds of meetings that are commonly held: (i) (ordinary) general meetings where no quorum is required and decisions are made on a simple majority basis (unless provided otherwise in the articles of association or specific provisions of the law); and (ii) extraordinary general meetings where special quorum and majority requirements apply and a Luxembourg notary must be present.

- Annual general meeting and (ordinary) general meetings: at least one annual general meeting must be held on the date stated in the articles of association of the company, where applicable, and in any case no later than six months after the end of the company's financial year (*article 450-8 Companies Law*). The annual general meeting typically resolves on the annual accounts, the allocation of the results and distribution of a dividend, the discharge of the directors, the supervisory board and management board members and the auditor of the company. Further items can be added to the agenda. No minimum attendance is required for (ordinary) general meetings, and a simple majority is sufficient for a resolution to be validly taken.
- Extraordinary general meetings are required to amend the company's articles of association (e.g. in connection with an increase/decrease of the share capital, the creation of authorised capital, a change of the corporate object). At least half of the share capital must be represented at the meeting, and the resolutions are validly taken if at least two-thirds of the represented capital votes in favour (*article 450-3 Companies Law*).

General meetings are convened by the board of directors or the supervisory board/management board. Shareholders holding 10% of the share capital of the company may request that a general meeting be convened (*article 450-8 Companies Law*).

Shareholders are granted different rights that can be exercised before or during any general meeting:

- Before the meeting, shareholders have the right to access information on the company and the relevant documents for the general meeting, such as the annual accounts or relevant reports. Shareholders representing 10% (or 5% concerning Issuers) of the share capital may request a postponement of the meeting, ask questions beforehand and add items to the agenda of the meeting.
- During the meeting, shareholders have the right to participate in the meeting and vote on the resolutions in proportion to their shareholding. An attendance list will be made. Votes can be expressed in person or by proxy. The articles of association of a company may provide the possibility to exercise voting rights by electronic means. Finally, shareholders may deliberate and ask questions during the general meeting.

2.4 Do shareholders owe any duties to the corporate entity/entities or to other shareholders in the corporate entity/entities and can shareholders be liable for acts or omissions of the corporate entity/entities? Are there any stewardship principles or laws regulating the conduct of shareholders with respect to the corporate entities in which they are invested?

In Luxembourg, shareholders generally do not owe any duties to the company's corporate governance. Shareholders are only

liable up to the amount of their participation in the share capital. However, the founders of the company are jointly liable toward third parties for:

- all not validly subscribed parts of the capital as well as the difference between the minimum capital and the amount of subscriptions;
- the effective payment of up to 25% of the subscribed shares at the time of constitution of the subscribed shares;
- the payment within five years of the shares issued in consideration of contributions other than in cash; and
- in case of nullity of the company, or in case of and starting from the absence or non-conformity of the statements in the deed or in the company's object, the compensation for the prejudice resulting from them.

In addition, shareholders can be liable for the acts or omissions of the company if they appeared to have acted as *de facto* managers, i.e. even though not appointed as a director, the relevant shareholder has regularly and independently performed acts or duties normally performed by directors, or has represented the company. However, this liability is not based on the shareholder, but applies to any person who *de facto* managed the company.

Luxembourg does not have any stewardship laws. However, institutional investors and asset managers are required on a comply-or-explain basis to develop and publicly disclose their engagement policy describing how they integrate shareholder engagement in their investment strategy, and to annually disclose how their engagement policy has been implemented. Some shareholders of Luxembourg-based Issuers chose to follow best practices, such as the Principles of Responsible Investment.

2.5 Can shareholders seek enforcement action against the corporate entity/entities and/or members of the management body?

Shareholders may seek enforcement action against the board of directors or the supervisory board/management board on the basis of the following breaches:

- Mismanagement: the members of the board of directors or the supervisory board/management board are liable for the execution of their mandate and the faults committed during the execution of such mandate. Shareholders, by a decision taken in a general meeting, can seek enforcement actions against the board members in that respect.
- Responsibility in case of breach of the company law and/or articles of association of the company. This action can also be sought by a single shareholder, provided that such shareholder can prove a prejudice that differs from the prejudice of all other shareholders; and by a minority of shareholders representing at least 10% of the share capital of the company.
- Shareholders can seek civil enforcement actions against members of the board of directors or the supervisory board/management board in case of fault (*articles 1382 and 1383 Civil Code*). This action can also be sought by a single shareholder. However, the person(s) invoking these articles must have suffered personal damage.
- Finally, criminal offences may give rise to enforcement actions by the shareholders.

2.6 Are there any limitations on, or disclosures required, in relation to the interests in securities held by shareholders in the corporate entity/entities?

In Luxembourg, the articles of association of a company may contain certain limitations, e.g., in relation to the rights attached to the shares, the persons eligible to become shareholders and the amount of shares one person may hold.

In accordance with the law of 13 January 2019 creating a register of beneficial owners, all companies registered with the Luxembourg Trade and Companies Register must disclose certain information concerning their beneficial owners. Issuers are only required to register the name of the Regulated Market.

In addition, shareholders of Issuers must notify the Issuer and the CSSF when their shareholding reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 33.33%, 50% and 66.66% of the total shareholding of the company (*article 8 Transparency Law*).

Majority shareholders that hold, directly or indirectly, 95% of the share capital and of the voting rights of a company must notify, among others, such holding to the CSSF, in accordance with the law of 21 July 2012 on mandatory squeeze-out and sell-out ("**Squeeze-out Law**").

2.7 Are there any disclosures required with respect to the intentions, plans or proposals of shareholders with respect to the corporate entity/entities in which they are invested?

In Luxembourg, shareholders are generally not required to disclose their intentions, plans or proposals with respect to their shareholding. However, in connection with a takeover or merger, the bidder is required to disclose its intentions in relation to the target company with respect to certain matters, as set out in the law of 19 May 2006 transposing Directive 2004/25/EC on takeover bids (the "**Takeover Law**"). When the shareholding of one person alone or together with persons acting in concert reaches the threshold of 33.33% of the entity's voting rights, this person is required to make a mandatory takeover bid, addressed to all the holders of those securities. The decision to make a bid must be made public by the offeror and the CSSF must be informed of it.

Further, under the Squeeze-out Law, majority shareholders that hold, directly or indirectly, 95% of the share capital, can require all the holders of the remaining securities to sell their securities to them. The majority shareholders must notify their intention to do so to the CSSF and the company itself, before making the offer public. Under the Squeeze-out Law, the holders of the remaining securities may also require the majority shareholders to buy the remaining securities.

2.8 What is the role of shareholder activism in this jurisdiction and is shareholder activism regulated?

There is no specific regulation concerning shareholder activism. However, Luxembourg law provides certain minority rights to shareholders, notably:

- shareholders holding at least 5% of an Issuer's subscribed capital have the right to put items on the agenda of the general meeting and to table draft resolutions for items included or to be included on the agenda of the general meeting (*article 4 Shareholder Rights Law*);
- shareholders holding at least 10% of the votes at the general meeting, having resolved on the discharge, may bring a minority action against the directors, the members of the management board or the supervisory board on behalf of the Company (*article 444-2 Companies Law*);
- shareholders owning at least 10% of the share capital or voting rights are entitled to request information on management decisions with respect to operations of the company and its subsidiaries and may apply to have one or

more experts appointed in case the management does not respond (*article 1400-3 Companies Law*); and

- shareholders representing at least one-tenth of the capital have the right to request the convening of a general meeting (*article 450-8 Companies Law*) or the adjournment of any general meeting (*article 450-1 (6) Companies Law*).

The X Principles require Luxembourg Issuers to treat majority and minority shareholders equally (*Recommendation 10.2*).

3 Management Body and Management

3.1 Who manages the corporate entity/entities and how?

The SA may be organised in a one-tier structure where the main management body is the board of directors or a two-tier structure where the management responsibilities are shared between the supervisory board and the management board. In a one-tier structure, the board of directors may also resolve to delegate almost all or parts of their management functions to a CEO, a management committee or a day-to-day manager, if provided in the articles of association. The one-tier structure is the default structure if no choice is made.

One-tier structure: the board of directors comprises at least three members (*article 441-2 Companies Law*). According to the X Principles, the board of directors should have an appropriate size to facilitate effective decision-making and to provide the necessary expertise without undermining effective deliberations. Accordingly, the X Principles recommend a maximum of 16 board members (*Recommendation 3.3*).

At least two directors must qualify as independent in accordance with the independence criteria set out in the X Principles. In addition, the board of directors must form the following committees: audit committee; nomination committee; remuneration committee; and CSR committee.

Two-tier structure: the management board is vested with the widest management powers, unless matters are reserved by law or the articles of association to the supervisory board or the general meeting of shareholders. The management board comprises at least three members. This number may be reduced to one manager if the company's share capital is less than EUR 500,000 (*article 442-2 Companies Law*). The supervisory board shall monitor the actions of the management board and provide advice but must refrain from interfering or influencing the management. The supervisory board must be composed of at least three members.

In Luxembourg, directors may be individuals as well as legal entities.

3.2 How are members of the management body appointed and removed?

One-tier structure: the initial directors are appointed in the constitutional documents of the SA. Following incorporation, directors are appointed and removed by decision of the general meeting of shareholders. The term of office of any director may not exceed six years; however, directors may be re-appointed after the expiration of such term (unless the articles of association provide otherwise).

Two-tier structure: the members of the supervisory board are appointed and removed by decision of the general meeting of shareholders. The term of office of the members of the supervisory board may not exceed six years, but they may be re-appointed after the expiration of such term (unless the articles of association provide otherwise). Members of the management board are appointed and removed by the supervisory board, unless the articles of association provide otherwise.

In case of a vacancy concerning the board of directors or the management board, the remaining board members may appoint a replacement on a provisional basis, unless the articles of association provide otherwise. The general meeting of shareholders or, where applicable, the supervisory board will make the definitive appointment.

3.3 What are the main legislative, regulatory and other sources impacting on compensation and remuneration of members of the management body?

Members of the board of directors and the management board/supervisory board may receive remuneration for their services. The remuneration of the board of directors or the supervisory board must be determined by the general meeting. The remuneration of the members of the management board is determined by the supervisory board, unless the articles of association provide otherwise.

Under the Shareholder Rights Law, Issuers are obliged to publish a remuneration policy, which shall clearly explain how the remuneration of directors contributes to the business strategy, the long-term interests and the sustainability of the company (*article 7bis Shareholder Rights Law*). The remuneration policy must be submitted to the vote of shareholders at least every four years. The vote is advisory, unless the articles of association provide otherwise. In case of a rejection by the general meeting, the company is required to propose a revised policy at the following general meeting.

In addition, the company must outline a clear and understandable report in relation to the remuneration granted to the company's directors in the past financial year (*article 7ter Shareholder Rights Law*). Such report must be submitted to the advisory vote of the general meeting.

3.4 What are the limitations on, and what disclosure is required in relation to, interests in securities held by members of the management body in the corporate entity/entities?

Members of the board of directors or supervisory board/management board (as well as any persons closely associated with them, such as family members) must notify the Issuer and the CSSF of any transaction made on their account in relation to the shares of the company (*article 19 MAR*).

The X Principles recommend that the board of directors of a Luxembourg Issuer defines rules in order to regulate transactions made by persons exercising management responsibilities (or by people closely related to them), on their own account, in relation to the shares of the company. The X Principles further require that a Luxembourg Issuer discloses its policy regarding transactions made by the board of directors in relation to the shares of the company in the corporate governance charter (*Recommendation 1.3, Appendix B*).

3.5 What is the process for meetings of members of the management body?

The process concerning meetings of the board of directors and the supervisory board/management board is usually set out in the company's articles of association. Typically, a convening notice will be required in order to allow the board members to attend and prepare the meeting in advance. Convening formalities may usually be waived if all members agree to such waiver.

Attendance of meetings may be in person, by proxy or via video conference or other telecommunication means that ensure the identification and the participation of the member.

The board of directors of a Luxembourg Issuer shall ensure the preparation of minutes summing up the deliberations and noting any decisions taken by the board (*Recommendation 2.3*). Unless the articles of association provide otherwise, the board of directors or the management board and the supervisory board may adopt written resolutions unanimously.

3.6 What are the principal general legal duties and liabilities of members of the management body?

The main duties of directors (and other members of the management bodies) are the following:

- Duty of careful, diligent and wise management: the duty to manage the company with a level of diligence and prudence that may be expected from a person in that position. Directors must apply the necessary care and attention to their office. This is a best-effort obligation (*obligation de moyens*); therefore, directors do not have to meet a specific result.
- Duty of loyalty: the duty to ensure that the interest of the company prevails over the personal interests of directors. In particular, directors must avoid any conflict of interest. A conflict of interest arises where a director has a direct or indirect financial interest that is conflicting with that of the company (*articles 441-7 Companies Law*).
- Duty of skills and availability: the duty to accept a mandate only if the director has the necessary skills, qualities and time capacity.
- Duty of confidentiality: the duty to avoid the disclosure of any information with respect to the company that is confidential.

With respect to liabilities, directors, members of the management board and of the supervisory board may be held liable as follows:

- toward the company in the event that they committed a fault that damaged the company (*article 441-9 first paragraph Companies Law*);
- toward the company or third parties if their conduct was in breach of the applicable law and/or the articles of association (*article 441-9 second paragraph Companies Law*). In this case, shareholders may individually act against the directors or members of the management committee if they prove to have been independently prejudiced;
- in accordance with tort regulation (*articles 1382 and 1383 Civil Code*), if the requirements provided by the Companies Law are not fulfilled; and
- in accordance with the provisions of the Criminal Code (*Code Pénal*) or the criminal provisions of the Companies Law.

3.7 What are the main specific corporate governance responsibilities/functions of members of the management body and what are perceived to be the key, current challenges for the management body?

The board of directors or the management board have the most extensive powers to pursue the object of the company, with the exception of those powers reserved by law or the articles of association to the general meeting or, where applicable, the supervisory board.

Given that the responsibilities and functions of members vary depending on the company's business model, as well as the individuals and their expertise, the X Principles outline only a few specific functions, such as the creation of specific committees, which operate under the supervision and responsibility of the board of directors (*Recommendation 3.9*).

Key regulatory challenge for management bodies remains navigating the increasingly complex sustainability regulations applicable to Issuers and aligning them to their investors' expectations and business concepts. Among other things, supply chain due diligence continues to challenge businesses, especially in view of recent political and economic developments in Europe.

3.8 Are indemnities, or insurance, permitted in relation to members of the management body and others?

It is possible to cover potential liabilities of directors and the members of the management board and supervisory board with an insurance policy. These policies are often concluded by the company, but the directors and/or officers may also conclude individual insurance policies in order to have a broader coverage. The insurance policies generally cover civil liabilities deriving from potential faults or negligence but excludes gross negligence and/or wilful acts.

3.9 What is the role of the management body with respect to setting and changing the strategy of the corporate entity/entities?

The board of directors or supervisory board are the main organs responsible for defining the strategy of the company. The X Principles requires the board of directors of Luxembourg Issuers to specifically decide on the values and objectives of the company, its strategy, and the key policies to be implemented, as well as the level of risk acceptable to the company (*Recommendation 2.3*). In order to promote long-termism, the X Principles further require Luxembourg Issuers to integrate CSR aspects in their business strategy (*Recommendation 9.1*).

4 Other Stakeholders

4.1 May the board/management body consider the interests of stakeholders other than shareholders in making decisions? Are there any mandated disclosures or required actions in this regard?

Luxembourg laws and practice encourage the board of directors/management board to consider the interests of shareholders as well as other stakeholders, such as bond holders, employees, and creditors and, increasingly so, even public interests (notably regarding climate change). In particular, the X Principles require the board of directors/management board of Luxembourg Issuers to consider corporate social responsibility aspects and to take into account the interests of all stakeholders in their deliberations.

The board of directors/management board is not required to disclose to shareholders if, and to which extent, interests of other stakeholders have been considered. However, there are certain disclosure obligations which entail that the board of directors/management board explains its decision-making process. Notably, the board of directors/management board of an Issuer shall disclose how the pay and employment conditions have been taken into account when establishing the company's remuneration policy in accordance with *article 7bis* of the Shareholder Rights Law.

The X Principles require a Luxembourg Issuer to define its corporate social responsibility policy and to recommend

on a comply-or-explain basis to present the corporate social responsibility information either in a dedicated report, or in a specific section of its management report (*please refer to question 4.4 for further information*).

4.2 What, if any, is the role of employees in corporate governance?

In Luxembourg, Issuers are generally not required to appoint representatives of the company's employees into management or supervisory positions. Exceptions apply to companies with more than 1,000 employees over a period of three years, a qualifying public participation and/or a concession of the state.

Companies employing more than 15 employees are required to designate at least one employee delegate. The number of employee delegates, and their participation and information rights concerning the company's employment policies, increase gradually with the number of employees of the company.

4.3 What, if any, is the role of other stakeholders in corporate governance?

The X Principles require the board of directors/management board of Luxembourg Issuers to consider the interests of all stakeholders in their deliberations (*Principle 2*). However, the X Principles do not further define the term "stakeholders".

In particular, the board of directors/management board shall consider the interests of employees in connection with a takeover (*articles 6 (2) and 10 (5) Takeover Law*), a cross-border merger (*articles 1021-1 (4) and 1021-5 Companies Law*) and the remuneration of directors (*articles 7bis (6) Shareholder Rights Law*).

4.4 What, if any, is the law, regulation and practice concerning corporate social responsibility and similar ESG-related matters?

On a European level, main legislative proposals governing ESG and CSR matters include:

- in relation to ESG-related disclosures: EU Taxonomy (in force); CSRD (adopted, to be transposed into Luxembourg laws by June 2024); and SFDR (in force);
- in relation to supply chain due diligence: Corporate Sustainability Due Diligence Directive (proposed in 2022, approved by the European Parliament on 24 April 2024); and
- in relation to board composition and remuneration: Directive (EU) 2022/2381 on gender balance on boards (adopted in 2022); and Shareholder Rights Law (in force).

The X Principles require a Luxembourg Issuer to define its corporate social responsibility policy which shall include responsibilities related to social and environmental aspects (*Principle 9*). On a comply-or-explain basis, the CSR information shall be included in a dedicated report, or in a specific section of the management report. In order to further encourage non-financial considerations, the Luxembourg Stock Exchange has published a dedicated guide on ESG reporting.

5 Transparency and Reporting

5.1 Who is responsible for disclosure and transparency and what is the role of audits and auditors in these matters?

The board of directors or the supervisory board/management board are mainly responsible for disclosure and transparency obligations incumbent on the company. Annual and half-yearly financial reports that are made publicly available by the Issuer must contain a responsibility statement of the individuals responsible within the Issuer.

Specific disclosure obligations, such as the notification to the Issuer and the CSSF concerning the shareholding of certain percentages in accordance with article 8 Transparency Law, are addressed to the shareholders (*please refer to question 2.6 above*).

The auditor is appointed by the general meeting of shareholders and shall review and report on the annual financial statements of the Issuer (*article 3 Transparency Law*). Half-yearly reports and corporate governance and sustainability reports do not have to be audited. However, under CSRD, once adopted into national laws, sustainability reports will require a limited assurance audit.

5.2 What corporate governance-related disclosures are required and are there some disclosures that should be published on websites?

Under the Transparency Law, Issuers must comply with specific disclosure requirements with respect to regulated information within the meaning of article 1 (10) of the Transparency Law which comprises both periodic information (e.g. annual financial reports and half-yearly financial reports) and ongoing information (e.g. changes in shareholding or certain corporate events). The X Principles require Luxembourg Issuers to disclose a Corporate Governance Statement in their annual reports, which describes all major events concerning their corporate governance.

In addition, the X Principles require Luxembourg Issuers to publish a corporate governance charter, which must describe the main aspects of its corporate governance policy, notably the company's structure, the internal regulations for the board of directors, its committees, and the executive management, as well as other important points (e.g. concerning remuneration).

Finally, the Issuer must disclose its directors' remuneration in a remuneration report, and a remuneration policy (*articles 7bis, 7ter Shareholder Rights Law*). Such disclosures must be made publicly available on the Issuer's website for a period of 10 years (reports) or for at least as long it is applicable (policies).

5.3 What are the expectations in this jurisdiction regarding ESG- and sustainability-related reporting and transparency?

Issuers meeting certain thresholds in relation to their balance sheet and number of employees, either on a statutory or group level, are required to provide a (consolidated) non-financial statement (*article 1730-1 Companies Law, article 68bis (2) 2002 Law*). The non-financial statement must contain information on the group's development, performance, position, and impact of its activity relating at least to environmental, social and employee matters, respect for human rights, anti-corruption, and bribery matters. Entities in the scope of these reporting obligations that also fall under article 8 EU Taxonomy are required to disclose, among others, (i) the proportion of their turnover derived from products and services of taxonomy-aligned activities, and (ii) the proportion of their CapEx and OpEx related to assets or processes associated with taxonomy-aligned activities.

In connection with the recent adoption of CSRD, sustainability reporting requirements will apply to more entities, including non-listed large companies, and the scope of reporting will expand. The European Sustainability Reporting Standards ("**ESRS**") provide comprehensive guidelines to the reporting format and standards and are the basis of a mandatory limited assurance audit applicable to sustainability reports under CSRD.

Regulations 2019/2088, and 2020/852 strengthen the protection of investors on the Liechtenstein financial market.

5.4 What are the expectations in this jurisdiction regarding cybersecurity and technology-related reporting and transparency?

As Luxembourg is also exposed to constantly growing security risks, the CSSF expects all entities authorised under the Law of 5 April 1993 on the financial sector ("**LFS**") and the Law of 10 November 2009 on payment services ("**LPS**") to adapt their security standards to the information and communication technology ("**ICT**") and security risk management guidelines ("**ICT Guidelines**"). In particular, a clear organisational structure with defined, transparent and coherent areas of responsibility and effective procedures for identifying, analysing, measuring, managing, monitoring and reporting risks is required as the basis for a functioning security system. In addition, measures to minimise and control operational and safety risks shall be taken – ideally by an independent internal audit department.

The European legislator has acknowledged the need for action in the area of cybersecurity and has introduced several regulations and directives, such as the Digital Operational Resilience Act ("**DORA**") (applicable as of 17 January 2025), which aims to strengthen the IT security of financial entities and lead to greater harmonisation of the rules relating to operational resilience for the financial sector, as well as the second Network and Information Security Directive ("**NIS2 Directive**") (to be transposed into national law until 17 October 2024), which aims to achieve a high common level of cybersecurity across the EU Member States and provides for, among others, notification requirements for digital service providers and operators of essential services.

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